

## Message Text

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ACTION SS-25

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O 071724Z FEB 75

FM AMEMBASSY PARIS

TO SECSTATE WASHDC IMMEDIATE 6529

S E C R E T SECTION 01 OF 02 PARIS 03424

EXDIS

E.O. 11652: GDS

TAGS: PFOR, FR, US

SUBJECT: SECRETARY'S VISIT TO PARIS FEBRUARY 18:

ISSUES OF INTEREST TO FRENCH LEADERSHIP

1. MIDDLE EAST: FRENCH ARE DEEPLY CONCERNED ABOUT POSSIBLE LOSS OF MOMENTUM IN EFFORTS TOWARD EVENTUAL PEACE SETTLEMENT. THERE IS PERSISTENT FEAR OF REPEAT OF OCTOBER 1973 OIL EMBARGO WHICH IS EXPECTED WOULD FOLLOW RENEWED ARAB-ISRAELI HOSTILITIES. A PRIMARY AIM OF FRENCH MIDEAST POLICY UNDER GISCARD HAS BEEN DEVELOPMENT OF APPROPRIATE IMAGE AS WELL AS INTER-LOCKING RELATIONSHIPS WITH ARAB STATES THAT SHOULD THEORETICALLY EXEMPT FRANCE FROM NEXT OIL EMBARGO. BUT IN THEIR HEART OF HEARTS THE FRENCH KNOW OPPOSITE IS LIKELY TO BE TRUE. HENCE, FRENCH ARDENTLY DESIRE SECRETARY'S STEP-BY-STEP APPROACH TO SUCCEED, AND WOULD LIKE TO DISSECT EACH ELEMENT OF SECRETARY'S BRIEFING MINUTELY TO DEVELOP THEIR OWN ESTIMATES FOR SUCCESS. AS INDICATED PARIS 2551, GOF FEELS ISRAEL CANNOT BE EXPECTED TO RETURN TO 1967 BORDERS WITHOUT CREDIBLE GUARANTEES. SUCH GUARANTEES CANNOT BE CREDIBLE IF THEY ARE EMBODIED BY UN BLUE HELMETS, ACCORDING TO GOF ANALYSIS. GUARANTEE MILITARY FORCES MUST REPRESENT GOVERNMENTS THAT WILL NOT BE PUSHED AROUND. THIS IS WHERE GOF SEES POSSIBLE ROLE FOR FRANCE (AND U.K. AND, PERHAPS, U.S. AND USSR), AND SAUVAGNARGUES WILL PROBABLY PROBE SECRETARY FOR OUT-

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LOOK WITH RESPECT TO GUARANTEES AND MOVEMENT OF

NEGOTIATIONS UP TO THAT HYPOTHETICAL POINT.

2. ENERGY: FRENCH HAVE STAKED MUCH PRESTIGE ON GISCARD'S EFFORTS TO PROMOTE A CONSUMER/PRODUCER CONFERENCE, AND THEY ARE ANXIOUS TO GET ON WITH THE PREPARATORY MEETING. THEY HOPE THE LATTER CAN BE HELD IN THE SECOND HALF OF MARCH AND BELIEVE IT HIGHLY DESIRABLE TO HAVE THE CONFERENCE ITSELF IN JUNE OR JULY. THEY ARE CONVINCED THAT SUFFICIENT PROGRESS HAS BEEN MADE TOWARD CONSUMER SOLIDARITY FOR THE PREPARATORY MEETING TO BE SCHEDULED AND THEY WANT TO ISSUE INVITATIONS. THEY SEE FRANCE AS "TECHNICAL CHAIRMAN" OF THE MEETING WITH THE EC REPRESENTED AS A BODY. THEY WOULD PREFER NOT TO CHANGE THE YAMANI LIST OF INVITEES BUT SEEM WILLING TO ADD CANADA. AS FOR OBSERVERS THEY EXPECT UN SECGEN AND OPEC SECGEN TO BE REPRESENTED WITH THE IEA REPRESENTED ONLY INDIRECTLY THROUGH LANTZKE, WEARING HIS OECD HAT. THEY BELIEVE HAVING THE IEA REPRESENTED MORE DIRECTLY WOULD BE CONSIDERED PROVOCATIVE BY THE PRODUCERS. ON SUBSTANCE THEY SEE LITTLE REMAINING TO BE DONE ON CONSERVATION AND THE FINANCIAL SAFETY NET. THEY BELIEVE AGREEMENT IN PRINCIPLE IN THE IEA TO ADOPT A CREDIBLE SYSTEM FOR DEALING WITH THE DOWN-SIDE RISK PROBLEM (THOUGH WITHOUT GOING TOO FAR ON SPECIFICS) WILL CONSTITUTE ADEQUATE PROGRESS PRIOR TO THE PREPARATORY MEETING. THE TIME BETWEEN THAT MEETING AND THE PRODUCER/CONSUMER CONFERENCE CAN BE USED TO WORK OUT DETAILS AND PICK UP OTHER LOOSE ENDS. ON THE SUBSTANTIVE QUESTIONS THEY HAVE NO REASON TO SEE ANY CONFLICT WITH U.S. VIEWS. HOWEVER, ON PROCEDURES AND TIMING THEY WILL PRESS HARD TO HAVE THEIR VIEWS ACCEPTED. THE FRENCH BELIEVE PRODUCER/CONSUMER DIALOGUE WILL BECOME HARDER TO ORGANIZE AND MANAGE THE LONGER IT IS DELAYED, ESPECIALLY IN VIEW OF THE SPECIAL SESSION OF THE UNGA IN SEPTEMBER AND THE EXPIRATION OF THE OPEC PRICE FREEZE, ALSO IN SEPTEMBER. FINALLY, THE FRENCH BELIEVE THE CONSUMERS NEED TO STUDY IN GREATER DEPTH THEIR TACTICS FOR THE CONFERENCE. REGARDING A POSSIBLE FLOOR PRICE, FOR

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EXAMPLE, THE FRENCH WOULD PREFER TO BEGIN THE NEGOTIATION WITHOUT A PRIOR AGREEMENT AMONG CONSUMERS ON WHAT THE PRICE SHOULD BE. INDEED, THEY HAVE STRONG RESERVATIONS ABOUT THE FLOOR PRICE PRINCIPLE, ARGUING THAT THEIR OWN PROGRAM DOES NOT REQUIRE IT AND THAT ADOPTION OF A SPECIFIC PRICE WOULD BE CONSIDERED PROVOCATIVE BY THE PRODUCERS. THEIR

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PREFERENCE IS FOR DIRECT AID TO INVESTORS. THEY HAVE  
NOT REJECTED THE FLOOR PRICE PRINCIPLE BUT THERE WOULD  
BE SERIOUS PROBLEMS WITH THEM IF WE WERE TO MAKE AGREEMENT  
ON THE FLOOR PRICE PRINCIPLE A CONDITION FOR  
HOLDING THE PREPARATORY MEETING.

3. EAST-WEST RELATIONS. DETENTE: IN BOTH PUBLIC AND  
PRIVATE STATEMENTS, FRENCH ANALYSTS ACCEPT VIEW THAT  
SOVIET RENUNCIATION OF TRADE AGREEMENT WITH U.S. IS  
SPECIAL CASE THAT DOES NOT UNDERMINE SOVIET COMMITMENT  
TO DETENTE. NEVERTHELESS, THERE IS GROWING FEELING  
THAT USSR MAY BE GOING THROUGH TRANSITION PERIOD  
WHICH COULD END IN HARDER LINE TOWARD DETENTE WITH  
RESPECT TO ALL WESTERN GOVERNMENTS. APART FROM  
FOREIGN POLICY IMPLICATIONS, THIS PROBLEM ALSO HAS  
IMPORTANT INTERNAL POLITICAL RAMIFICATIONS FOR FRANCE  
IN TERMS OF COMMUNIST PARTY ATTITUDES. AS DEPARTMENT  
AWARE, GOF HAS SOFTENED ITS ATTITUDE TOWARD CSCE  
BASKET III CONSIDERABLY, AND IS CLEARLY ANXIOUS TO  
BRING ABOUT HELSINKI SUMMIT. SAUVAGNARGUES WILL BE  
INTERESTED, THEREFORE, IN REVIEW OF LATEST DEVELOPMENTS  
IN CSCE IN CONTEXT OF OVERALL EAST-WEST RELATIONS.  
WITH RESPECT TO MBFR, THERE APPEARS TO BE AN EMBRYONIC  
INTEREST AMONG SOME FRENCH OFFICIALS IN THE IDEA OF  
A TRADEOFF BETWEEN AMERICAN FBS AND SOVIET ARMOR,  
PROVIDED THAT WESTERN EUROPEAN FORCES CAN BE EXEMPTED  
FROM LIMITATIONS. UNREALISTIC AS THIS MAY SEEM, GOF

MAY NEVERTHELESS INQUIRE ABOUT CONCEPT DURING OVERALL

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DISCUSSION THIS SUBJECT.

4. FAR EAST: PARTICULARLY WITH RETURN TO PARIS OF FRENCH AMBASSADOR TO PEKING, EVENTS IN PRC (WHICH IT TENTATIVELY VIEWS AS STEP TOWARD MODERATE POLICIES AND RATIONAL PREPARATIONS FOR POSSIBLE SUCCESSION); GOF WILL BE INTERESTED IN OUR VIEWS. AS FOR INDOCHINA, GOF WILL WISH TO KNOW OUR OPINION OF HANOI'S INTENTIONS AND WHAT THE U.S. WILL BE ABLE TO PROVIDE AS ADDITIONAL AID TO GVN AND GKR. GOF MAY WISH TO REVIEW POSSIBILITIES FOR NEGOTIATIONS CONCERNING CAMBODIA.

5. TRADE NEGOTIATIONS: THE EUROPEAN COMMUNITY COMMISSION IS EXPECTED TO OBTAIN A MANDATE ON FEBRUARY 10 FOR THE GENEVA NEGOTIATIONS WHICH OPEN FEBRUARY 11. IT IS DIFFICULT TO SAY AT THIS TIME WHAT THE FRENCH MIGHT RAISE ON THIS SUBJECT. IF THE NEGOTIATIONS GET OFF TO A GOOD START THE SUBJECT MAY NOT BE DISCUSSED. HOWEVER, IF, AS SEEMS LIKELY, THERE MAY BE AN IMMEDIATE IMPASSE OVER HOW TO STRUCTURE NEGOTIATIONS ON AGRICULTURE, WE MAY WANT TO PRESS THE FRENCH TO HELP OBTAIN GREATER NEGOTIATING FLEXIBILITY FOR THE COMMUNITY. OBVIOUSLY FRENCH SUPPORT WOULD BE DIFFICULT, GIVEN THE FACT THAT THE FRENCH ARE THE PRINCIPAL PROPONENTS WITHIN THE EC OF THE VIEW THAT ONLY THE AGRICULTURAL SUB-GROUP OF THE TNC SHOULD HAVE THE RIGHT TO DISCUSS AGRICULTURE. CLEARLY THIS SITUATION WILL HAVE TO BE ASSESSED SHORTLY BEFORE MEETING WITH THE FRENCH.

6. MONETARY: FRENCH GOVERNMENT, FINANCIAL AND BUSINESS CIRCLES HAVE RECENTLY EVIDENCED GROWING CONCERN ABOUT WEAKNESS OF DOLLAR VIS-A-VIS CONTINENTAL EUROPEAN CURRENCIES. (WHILE FRENCH FRANC HAS RISEN LESS AGAINST DOLLAR THAN SWISS FRANC OR DEUTSCHEMARK, IT IS CURRENTLY TRADING AT ABOUT 23 U.S. CENTS, COMPARED TO THE ADMITTEDLY DEPRESSED LEVEL OF 19.5 CENTS A YEAR AGO AND TO THE 21.7 CENT CENTRAL RATE SET FOLLOWING SECOND U.S. DEVALUATION.) THIS CHEAP DOLLAR, OF COURSE, CUTS FRANC COST OF FRANCE'S OIL

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IMPORTS, AS WELL AS IMPORTS OF OTHER PRIMARY PRODUCTS WHOSE WORLD PRICES ARE FIXED IN DOLLARS. BUT HOWEVER WELCOME THIS FACTOR MAY BE FOR FRENCH ANTI-INFLATION PROGRAM, FRENCH ARE BECOMING RESTIVE - AS THEY DID IN SUMMER OF 1973 - ABOUT EFFECTS OF RECENT EXCHANGE RATE DEVELOPMENTS ON COMPETITIVE POSITION OF FRENCH EXPORTS VIS-A-VIS DOLLAR GOODS. IN THIS PERSPECTIVE, FINANCE MINISTER FOURCADE HAS BEEN HIGHLIGHTING TRADITIONAL FRENCH POSITION IN FAVOR OF MONETARY SYSTEM BASED ON STABLE EXCHANGE RATES. WE THUS BELIEVE THAT FRENCH LEADERSHIP MIGHT RAISE THIS MATTER WITH SECRETARY AND URGE U.S. SUPPORT FOR FRENCH VIEWS THEREON.

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